

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice DAP-146

For: State and County Offices

**Payment Eligibility and Payment Limitation Provisions for the
Livestock Compensation Program (LCP)**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Payments under LCP are subject to certain payment eligibility and payment limitation provisions. The payments are limited to \$40,000 and all applicants are subject to the \$2.5 million gross revenue requirement; both of which are applied on a per “person” basis. All payment eligibility and payment limitation determinations are based on the following:

- information on CCC-502
- gross revenue certification on FSA-553.

Questions have been received about the definition of gross revenue for LCP, person determinations for gross revenue purposes, and the applicability of other payment eligibility rules.

B

Purpose

This notice provides guidance on:

- the definition and determination of gross revenue
- the determination of “persons” for LCP
- the applicability of other payment eligibility requirements.

Disposal Date

June 1, 2003

11-21-02

Distribution

State Offices; State Offices relay to County Offices

2 Policy Clarifications

A

Payment Limitation

LCP has a payment limitation of \$40,000 per “person” as defined in:

- 7 CFR Part 1400, Subpart B
- 1-PL, Parts 2 and 4.

If a “person” determination for the LCP applicant has either:

- already been made for other 2002 program purposes, use the same “person” determination for LCP purposes
 - **not** already been made for other 2002 program purposes:
 - obtain CCC-502 for the 2002 crop year
 - make the appropriate “person” determination and notify the applicant according to established procedures in 1-PL, Part 5.
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B

Gross Revenue

A “person” who has a gross revenue in excess of \$2.5 million for the preceding tax year is not eligible for benefits under LCP. This requirement is specified in the Federal Register Notice for 2002 LCP, published on October 10, 2002.

Note: The “person” determination for the purposes of gross revenue shall include all entities in which the individual or entity has an interest, whether or not those entities are engaged in farming.

Gross revenue includes the total income and gross receipts of the “person” before any deductions. The definition of gross revenue is included as part of the certification statement on FSA-553.

In making this determination, gross revenue means the total gross receipts received as follows:

- gross receipts from farming, ranching, and forestry operations for the preceding tax year if more than 50 percent of the gross revenue received by the “person” was from farming, ranching, and forestry operation
 - gross receipts from all sources for the preceding tax year if 50 percent or less of the gross revenue received by the “person” was from farming, ranching, and forestry operations.
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2 Policy Clarifications (Continued)

B

Gross Revenue (Continued)

Other resources on the determination of gross revenue include the 2000 Crop Disaster Program regulations, 7 CFR Part 1480, and 3-DAP, paragraph 16 and Exhibit 6.

Note: Do not confuse with the adjusted gross income provisions applicable for the 2003 and subsequent years programs.

Gross revenue is based on the previous year, or the last tax year available in the case of new operations.

C

Husband and Wife - Separate “Person” Rules

Under the rule in 1-PL, paragraph 253, spouses can be considered separate “persons” for payment limitation purposes, if neither holds an interest in another entity that receives payments as a separate “person”. There may be situations where a husband and wife were determined separate “persons”, but have an interest in an entity that is only a livestock operation. An LCP payment issued to such a livestock operation would interfere with the current “person” determination made under the husband wife rules, if it results in 1 or both of the spouses receiving payment through more than 1 entity, including themselves.

D

Other Payment Eligibility Rules

Other rules such as the permitted entity, cash-rent tenant and foreign person rules, and actively engaged in farming requirements are not applicable to LCP.
